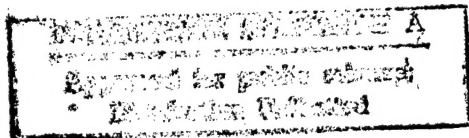


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21 October 1982



# China Report

ECONOMIC AFFAIRS

No. 274

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21 October 1982

## CHINA REPORT ECONOMIC AFFAIRS

No. 274

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## NATIONAL POLICY AND ISSUES

### 'JINGJI GUANLI' ON STATE ECONOMIC COMMISSION

HK121115 Beijing JINGJI GUANLI in Chinese No 7, 15 Aug 82 pp 5-9

["The Tasks and Methods of the Work of the State Economic Commission"--Extract of the speech made by Zhang Jingfu [1728 0513 1133], member of the State Council and director of the State Economic Commission, at a ceremony marking the formation of the new State Economic Commission on 26 May 1982--reprinted from ZHONGGUO CAIMAO BAO [CHINA FINANCE AND TRADE] 27 May 1982--passages within slantlines denote boldface as published]

#### [Text] 1. The Tasks of the State Economic Commission

The new State Economic Commission has been formed according to the decisions of the CPC Central Committee and the State Council and through the merging of the former State Economic Commission with the State Agricultural Commission, the State Machinery Commission, the State Energy Commission, the financial group of the State Council, the State Construction Commission (excluding the Land Harnessing Department) and part of the State Scientific Commission. Why is it necessary to do so? What are the tasks of the State Economic Commission? In his "Report on the Reform of the Organizations Under the State Council" to the 22d plenary session of the 5th National People's Congress, Premier Zhao Ziyang clearly pointed out in a speech: "The state's command of daily economic activities must be centralized and unified, the present leadership that is characterized by many heads and dispersed management must be changed and it is for this purpose that it has been decided to form a new State Economic Commission and expand its powers and scope of business. The supervision and inspection of the situations in the implementation of the national economic annual planning and various work of organizational coordination that are needed in the scientific and technical activities in that year by various agricultural, industrial, capital construction, railway transportation, financial and monetary and home and foreign trade departments must all be put under the unified management of the State Economic Commission. The works in the reform of the state economic system in that year must also be organized and implemented by the State Economic Commission." He also pointed out that the State Scientific Commission "will put forth major scientific and technical research items in cooperation with the State Planning Commission and the State Economic Commission, organize and coordinate scientific and technical forces in carrying out major breakthroughs; scientific and technical planning and production and technical work must be respectively

put under the management of the State Planning Commission and the State Economic Commission so as to closely combine scientific technology with economic construction.

Accordingly, the main tasks of the State Economic Commission in future must include:

(1) Implement the line principles and policies of the CPC Central Committee and the State Council on economic work. Investigate and study major economic problems and sum up and exchange the experiences in this aspect. Report the situations to the CPC Central Committee and the State Council in due time and make proposals.

(2) Participate in working out and investigating the implementation of the national economic planning of various departments and regions and coordinate and resolve major problems in the economic and technical activities of agricultural, industrial, capital construction, transportation, financial and monetary and home and foreign trade departments in that year.

(3) Organize and carry out the work of reforming the state economic system within a year.

(4) Organize and coordinate scientific breakthroughs that can be achieved in a comparatively short time and that serve the current national economic construction; participate in investigating imported technical items, manage the imports of equipment, unifiedly coordinate design and construction force, organize the working out of comprehensive economic planning and grasp the general work with regard to saving energy, readjusting and reorganizing the machine-building industry, enterprise management, quality control, popularizing new technology and educating cadres.

(5) Supervise and investigate the various departments in implementing the decisions made by the financial and economic leading group of the CPC Central Committee and the Standing Committee of the State Council, and carry out the work that is assigned by the CPC Central Committee and the State Council.

These are glorious and yet arduous tasks. Since the founding of new China, the organization and tasks of the State Economic Commission have been readjusted on many occasions. Nevertheless, the organization and tasks of the State Economic Commission have never been so tremendous as they are today. We still do not have enough experience as to how to carry out this work in future and therefore it is necessary for us to further study and accumulate and sum up experiences in practice. But I am confident that under the leadership of the CPC Central Committee and the State Council and that with the concerted efforts and hard work of all the comrades in the State Economic Commission, we will be able to complete these tasks which are assigned to us by the party.

## II. The Present Key Work of the State Economic Commission

Leading comrades from the CPC Central Committee and the State Council directed that the State Economic Commission must grasp key work in addition to day-to-day work. According to the spirit of the directives of these comrades, the commission in general must simultaneously do a good job of two types of work. The first one is routine work. This work is enormous and therefore it is necessary to concentrate a certain amount of effort on doing this work well and without mistakes. The second one is to follow the principles of economic work put forth during a certain period by the CPC Central Committee and the State Council and organize study and investigations in a planned and purposeful way and with leadership, and to carry out the important work that has a bearing on the overall situation and that is strategically significant. In this work, one must proceed from the easy to the difficult, and from experimentation of popularization, and it must be carried out in sequence in a down-to-earth way so as to make achievements. At present, it is imperative to do a good job of the following key work:

/(1) Implement and objectivize the principle of "planned economy as the main and market regulation as auxiliary."/

This is a very important question. It is fully related with the work of the State Economic Commission. We must implement and objectivize this principle in our coordination with the State Planning Commission. Various places have paid much attention to the principles and directives of the CPC Central Committee about opening our door to foreign countries and enlivening the domestic economy, and about resolutely struggling against bourgeois corrosion. They feel that these directives are very important and consequently they have resolutely supported these directives. They urgently hope that there will be a series of concrete measures to implement the principle of "planned economy as the main and market regulation as the auxiliary." In particular, the regions with a greater proportion of market regulation have made even stronger demands for such measures to be taken. We have to develop production and at the same time we must abide by law and discipline and consequently there are numerous problems as to how to carry out this work. We must follow the spirit of the directives of the CPC Central Committee, carry out study and investigations in a deep way, make concrete analyses, define policy demarcation and handle things according to their specific conditions. The method of one dividing into two must be used in handling the problems in the coordination among regions and it is necessary to adroitly guide action according to circumstances so as to maintain advantages and overcome shortcomings. We must in no way take the road of retrogression or there will again be a tendency to control the economy too rigidly; it is necessary to continue to enliven the economy and maintain economic growth and at the same time it is also imperative to hit hard at criminal activities in the economic sphere and guard against activities that run counter to laws, and rules and regulations. Consequently, it is necessary for us to objectivize the principle of "planned economy as the main and market regulation as the auxiliary." Various places have gained some experience in this aspect and they have to conscientiously sum up these experiences.

In agriculture, we must conscientiously meet in an overall way the demand of the No 1 document of the CPC Central Committee this year. It seems that the area included in the plan for growing tobacco and rapeseeds is excessive. It is necessary to control in a planned way the area for growing crops and to take necessary measures in the sector of circulation. We must pay attention to and sum up the method of the two base figures that is used in various places (base figures for planned purchases and for planned transfers outside) and the three prices (planned price, price for purchase in excess of the quota and floating price) and constantly perfect them. It is also necessary to introduce the contract system to guarantee that this method will be perfect. But we cannot cut with one knife; different methods must be used in different regions and for different products. We must also sum up well the experiences in this respect. Comrades from the Jining Prefectural Party Committee of Shandong Province pointed out that in the final analysis, to grasp material civilization is to grasp the contract system while to grasp spiritual civilization is to grasp the laws and rules and regulations about rural areas and people. This view is by no means groundless.

The industrial situation is more complicated than the agricultural situation. Take the problem of coal for example. As there is not enough coal under unified distribution, many places have carried out coal production through co-ordination and as a result, the price of the coal produced in this way has been constantly increasing. It seems that in order to maintain growth in production, various places have to solve energy problems. In Henan Province there are now 3 million tons of coal waiting to be transported out while in Shanxi, Nei Mongol Ningxia and Shaanxi there are about 20 to 30 million tons also waiting to be transported elsewhere. Conscientious study is needed before this problem can be resolved.

In order to implement the principle of "planned economy as the main and market regulation as the auxiliary," it is necessary to take active measures to improve the circulation of goods between urban and rural and urban areas and organize well the sales of industrial products in rural areas. In the first quarter of this year, the growth of consumer goods sales was smaller than the growth of industrial production in the same period; sales dropped in many cities while in the wide rural areas there existed a situation in which industrial products were sold out or in short supply. This situation must be changed as quickly as possible. In industrial production, we must work hard to produce marketable products and at the same time we must smooth out the channels of circulation so as to do a good job of the sales of industrial products in rural areas.

/(2) Implement well the principle centered around improving economic returns./ Various places have supported this principle and they have taken the related measures with initial achievements. But there are still some problems that have to be conscientiously studied. We must define effective methods to really solve these problems.

With regard to small commodities, we cannot just treat them from the viewpoint of their output value and profits. They must be considered from the viewpoint of their social results. For example, the production of such small commodities

as matches and hairpins and other small handicraft commodities is not only in the interest of meeting the needs of people's life but also in the interest of solving social employment. In this respect, it is necessary to study a series of related policies and measures; there must only be one definition and there should be a rational checking method; otherwise we will not be able to mobilize initiative and consequently market supply and social employment will be affected. In this respect, there in fact exists the question of combining macroeconomy with microeconomy. We cannot just consider this question from the microscopic angle, we must also consider the economic returns on small commodities from the angle of their social results.

Some of our products have been seriously stockpiled and therefore it is necessary to handle these goods well so as to cut down on the circulating funds taken up by these goods. This work also represents an important link in improving economic efficiency. The proportion of circulating funds is quite big at present and one of the important reasons for this situation is that we have an excessive amount of stockpiled goods. In order to solve this problem, we must first of all be able to produce marketable products so as to avoid stockpiling. Second, the production and purchase of the products that are in excessive supply must be brought under control while the economic blockades among regions must be abolished. Third, we must continue to carry out the principle of giving consideration to the situation of warehouses first and then to production while the work of registering the damage done to mechanical and electrical products in warehouses must be done well, the circulating funds (mainly bank loans) for the enterprises that are producing unmarketable products must be strictly controlled. The inventory of commercial goods and export-oriented goods in the first quarter of this year was higher than the same period last year. Therefore measures must be taken to decrease the production of such goods, handle well the stockpiled goods and step up the circulation of these goods so as to strive to meet the goal of saving 7 to 10 billion yuan from the circulating funds taken up by enterprises and this goal has been put forth by Vice Premier Yao Yilin in his "Report on the Draft Plan for Economic and Social Development in 1982" to the 23d session of the 5th NPC.

The State Council has entrusted the State Economic Commission to organize various departments concerned to carry out the work for meeting the above-mentioned goal. In carrying out such work, it is necessary to conduct investigation and analysis, sum up experiences and put forth methods on how to prevent and handle stockpiling of goods.

The key point in the sector of capital construction is to raise economic efficiency through shortening the construction cycle. The implementation of planning this year must be supervised and investigated. In particular, the work of the 80 projects that have been totally put into production, the 80 projects that have begun the production of single items and the 50 projects that are under construction and with a rational period of completion, must be carried out well. Auxiliary projects and preparatory work for production must be done well so as to form production capacity as soon as possible. Coordination must be organized according to contracted periods in the execution of projects so as to solve major problems in construction. The work



prior to construction must also be done well and it is also necessary to prospect and design well this year's 85 big projects. The State Planning Commission must be helped to strictly control the present capital construction projects that are surplus to requirements.

The work of producing complete sets of equipment and parts is very important in production, scientific research, construction, technical transformation, importing technology and export products of the national defense industry as well as in the production of products for civil use and therefore this work must be done well. Work must also be done well in saving energy and economizing on use of water in industry. In particular, the management of energy must be carried out well in northeast China and east China and in the more than 700 key enterprises across the country that consume more than 50,000 tons of standard coal each annually.

/(3) Consolidate enterprises well and make greater progress in experimenting with reforming the system./

In consolidating enterprises we must act according to the demand of the No 2 document of the CPC Central Committee and the deployment made by the national work conference on industry and communications, help localities and departments concerned consolidate key enterprises, sum up and exchange the experiences in reorganizing leading groups, rectify labor organization and discipline, rectify and strengthen financial management and perfect the economic responsibility system. So far we have no complete and mature method as to how to perfect the economic responsibility system and therefore this work can only be carried out in selected enterprises. The Shoudu Iron and Steel Company has gained some experiences in this respect.

The work in experimenting with system reform. In this respect, the State Economic Commission must follow by the decision of the State Council and the arrangement made by the State Committee for Reform of the Economic System and do a good job in carrying out experimentation in some selected enterprises. Some experiences have been accumulated in reorganizing and combining some medium and small cities and it is necessary to continue to sum up and develop these experiences. We must experiment not only with reforming the enterprise system but, what is more important, we must do a good job in experimenting with combinations such as combining enterprises in a whole trade, from different trades and regions and combining agriculture, industry and commerce. In this connection, we must do a good job in the following three respects this year. First, start the work in key cities and make further progress in reorganizing industry and combining enterprises with the purpose of developing famous-brand quality products. The combining of the electronic industry in Beijing and Tianjin must be stepped up. Second, continue to readjust and reorganize the machine-building industry under the principle of coordination among specialized departments. The works of scientific research, design and manufacture of boilers, transformers, blowers and water pumps that have already been organized for the purpose of saving energy must be carried out effectively. Third, systematic study and investigations must be carried out with regard to the industrial economic responsibility system and consequently a method for improving and perfecting the system must be put forth.

/ (4) Improve the level of technology in production concentrating on the tasks of replacing and upgrading products. /

The development of production in future must mainly rely on improving the production technology and the management level of the existing enterprises. This work must be carried out according to specific conditions; some enterprises may mainly concentrate their efforts in replacing and upgrading their products while others may mainly concentrate their efforts in using new technology and equipment. In this respect, we must have intermediate and long-term targets, coupled with concrete measures and methods. This work must be carried out in order of importance and in stages so that the production technology and product quality of our country will become competitive on the international market. On the basis of summing up experiences, the departments concerned must be urged to do the following works well:

1. Do a good job in replacing and upgrading products so that we will be able when we are producing the products of the current generation to study the products of the second generation and prepare to study the products of the third generation. With this goal, we must organize the work to make technical breakthroughs, reform technology, renew equipment and promote technical transformation of the existing enterprises through replacing and upgrading products. Work must also be organized to carry out the 16 projects that have been initially stipulated for this year.
2. Make active use of foreign capital and state foreign exchange and import suitable and advanced technology, including technical patents and single machines.
3. Study and work out policies and take measures, break away from technical blockade, popularize the advanced technology that we have already and do a good job in transferring and recycling the results of new technology. We must study the methods that are in the interest of strengthening the combination between scientific research and production.
4. Follow the principle of developing productivity "intensively" as the main and do a good job of technical transformation. Arrangement must be made for major technical projects this year and therefore the work on these projects must be supervised and checked so that these projects can start operating and be put into production earlier and consequently they will be able to bring earlier results.
5. Amend the technical standard of products to improve the quality and efficiency of our products.

/ (5) Do a good job of building the ranks of workers and staff. /

This work is connected with our economic development strategy, the implementation of the modernization program and the happiness of our generations to come. The economic departments across the country now have more than 80 million workers and staff, of which, more than 50 percent are young workers. Due to historical reasons, a considerable part of these workers and staff have a fairly low cultural and technical level. Under these conditions, it is necessary for us in building the ranks of workers and staff to do the following work well. First, do a good job in training enterprise leading cadres and training party secretaries and factory directors as the main; organize a number of enterprise leading cadres to sum up the management experiences of enterprises; when conditions permit, suggest that the provinces and

municipalities concerned set up management colleges to train cadres in economic management. Second, organize middle-aged and young workers and staff to improve their cultural and technical level. We must be determined to spare no efforts to improve the cultural and technical level of the workers and staff of our country.

/(6) Do a good job of preparing for next year's production./

The preparation for next year's production and preparatory work for production in successive years must be started and carried out as early as possible. In this aspect, we must in the main grasp the funds, raw materials and execution of projects in the sectors of energy, communication and technical reform. In particular, we must balance the situation of coal, electricity and transportation in each region and every quarter. Strength must be organized now to carry out study and investigations, work out planning and coordinate with the State Planning Commission in planning well the 6th 5-Year Plan and planning for next year.

With regard to linking transportation next year, it is necessary for railway and communication departments to continue with technically transforming and completing the auxiliary projects of the Qingdao-Jinan Railway and Lanzhou-Lianyungang Railway and Qinhuangdao and Wuhan Harbors to improve coal transportation capacity. We must try our best to build 300,000-ton barges and transform some harbors this year and next year so as to make a better use of ocean transportation and Changjiang River water transportation. The problem of steelplates and funds that are needed in the shipbuilding industry must be solved. Measures must be taken so that highways will also be used in short distance transportation to lessen the pressure on railway transportation.

### III. The Work of the State Economic Commission in Future

Premier Zhao Ziyang reiterated that it is necessary for the departments that are responsible for economic work to constantly improve economic and working efficiency. In the process of making preparation for transforming the State Economic Commission, leading comrades from the State Council and other departments have pointed out on many occasions that the commission must have a smaller but capable staff, must be sensitive to information, quick in handling problems and must have high working efficiency. We must regard these activities as the standard for the works of the commission. It will not be possible to meet these requirements by merely relying on transforming the organization which in fact must be coupled with a good style of work and good working methods. Following the formation of the new State Economic Commission, we must pay particular attention to improving working efficiency and spare no efforts to complete the tasks assigned us by the CPC Central Committee and the State Council. For this purpose, I make the following initial assumptions:

/(1) Carry out study, sum up experiences, carry out organizational building and carry out work simultaneously./



At present, the work of readjusting the State Economic Commission, arranging staff and defining rules and regulations is not ready yet. But we cannot wait. We must carry our organizational building and daily works simultaneously so that these aspects can promote each other. When measures are taken to further carry out organizational building, we must consider how to adapt ourselves to the needs of future work and how to raise our working efficiency. The problems that crop up in our work must be studied in good time while experiences must be summed up so as to carry out organizational building still better. In short, we must carry out study, sum up experiences, carry out organizational building and work simultaneously.

/(2) Understand the two aspects of directives from above and reality./

First, we must study and understand the directives of the CPC Central Committee and the State Council; second, we must investigate and understand the present situations of economic activities and these two aspects must be combined. Leading comrades from the CPC Central Committee recently pointed out that we must grasp first hand information and listen to public opinion. We must constantly implement these directives.

/(3) Ideology, style of work and working method must accord with the features and tasks of the State Economic Commission./

The State Economic Commission is an organization under the State Council and it is responsible for comprehensive economic work. The main tasks of the commission are to organize, coordinate, supervise and check the various departments and regions in carrying out annual national economic planning. Consequently, these tasks require that we correctly handle our relationships with various other departments under the State Council. In carrying out our work, we must respect the rights of various departments, nor can we take others' jobs into our own hands. All the problems that can be resolved by various departments or by consultations among them must be managed by the departments concerned themselves and through their own efforts. We must support these departments and let them display their initiative and fully exercise their own rights. At the same time, we must be aware that all the problems that should be resolved by the State Economic Commission must be so solved, and we must in no way refuse to solve these problems. We must be active in helping various departments to solve problems and serve them as much as we can. According to the directives from leading comrades of the CPC Central Committee, we must resort to collective efforts instead of going it alone to inspect situations.

/(4) Persist in carrying out work according to plan./

Comrade Chen Yun stressed that our country must persist in planned economy as the main and market regulation as the auxiliary. The State Economic Commission is an organization responsible for organizing and coordinating various departments and regions in carrying out state planning. Therefore first of all, it is necessary for the commission itself to follow the principle of taking the whole country into account and for us to resolutely and strictly

follow state planning in our work. At the same time, it is not enough just to implement planning, we must also coordinate with the State Planning Commission in formulating plans. In organizing and coordinating the implementation of planning, we must quickly provide "feedback" on major situations and problems that crop up in this process. And with approval from the state, we must rationally readjust plans so that they are in accord with reality and so that we will be able to attain economic returns as soon as possible.

/ (5) Do a good job of "liaison" work. /

That mainly means we must solve the problems that exist among departments, within regions themselves or between departments and regions, and among departments and regions that it is beyond the reach of the departments and regions concerned to solve. These problems include the contradictions within industry, between production and transportation, between production and capital construction, between production and scientific research, between military production and civil production, between industry and agriculture, between industry and commerce, between domestic trade and foreign trade and between departments and regions. But in carrying out such "liaison" work we must pay particular attention to helping various departments and regions display their own initiative and roles and urge and support them to actively coordinate with other units. In carrying out such "liaison" work among departments and regions we must mainly rely on the departments and regions to solve problems through consultation among themselves. The State Economic Commission must be willing to help analyze, organize and coordinate the departments and regions concerned to solve the problems that can be solved through their own efforts.

/ (6) Combine the work of the year with long-term work. /

Although the main work of the State Economic Commission is to grasp the work of the year, it must also be good at combining this work with long-term work. In carrying out our work, we must be able to predict the future, consider the continuation of the work and combine tactical planning with the strategic goal. We must consider what is to be done in the year and must also consider what is to be done next year and the year after. We must "act in the first year, look at the second and consider the third." Like considering three steps in playing chess, we must make arrangements for 3 years. Otherwise, when we start carrying out the work for the year, we will lose our orientation and carry out work blindly and consequently when problems crop up, it will be difficult for us to readjust them.

/ (7) Go deep into reality, step by study and investigation and carry out work in a down-to-earth way. /

The departments and comrades responsible for economic work must persist in seeking truth from facts, carrying out work in a down-to-earth way and striving for efficiency. In carrying out any work, we must have a definite goal, planning, measures and people who are responsible for it. Comrade Chen Yun said: "In carrying out our work, we must spend more than 90 percent of our time studying the situations and less than 10 percent in making a decision."

In order to enable our work to accord with reality and make achievements, we cannot just confine ourselves to holding meetings, drafting documents and handling the work of our departments; we must often go deep into reality and carry out study and investigation and we must spare no efforts to grasp first-hand data. We must learn from comrades in the first line and we must learn from localities and reality.

/(8) Do a good job in organizational building./

I hope that all the comrades in the State Economic Commission will unite under the leadership of the CPC Central Committee and the State Council and make concerted efforts to carry out the work of the commission well. The new State Economic Commission must have a new atmosphere, a new style of work and make new achievements so as to meet the requirements of the CPC Central Committee and the State Council in reforming the organization.

CSO: 4006/034

## NATIONAL POLICY AND ISSUES

### 'JINGJI QUANLI' ON DEVELOPING NEW TECHNOLOGY

HK120711 Beijing JINGJI GUANLI in Chinese No 8, 15 Aug 82 pp 3-5

[Article by Liu Dong [0491 2639] and You Huadong [3945 5478 2639] of the Tianjin Municipal Second Machine Building Industrial Bureau: "Enterprises Must Develop New Technology in Coordination with Institutes of Higher Learning"]

[Text] The electronic instrument industry is a technology-intensive one and its products are highly technical. Following the rapid development in economic construction, product replacement is becoming quicker and quicker, the division of technical work is becoming more elaborate and the process of technical knowledge becoming outdated is becoming shorter and shorter. But the foundations of the Tianjin Municipal Second Machine Building Industrial Bureau are rather inadequate; its technical force is weak, the deployment of the existing technicians is unbalanced, while many small enterprises have almost no technicians and lack the ability to design their products. Many of the products now being manufactured have neither set standards nor technical requirements; the production of some has even begun without formal appraisal beforehand. Some are produced so slowly and are of such a low standard that they are unsalable. In the present situation of a changeable and competitive market, we can only survive by improving quality and adding new products. First, we must fully develop the existing technical force and courageously make use of and bring into play the initiative of the technicians in our factories. Second, we must rely on the research units of our bureau, and the results of their research must be provided for use by factories in their production. Third, we must rely on importing advanced technology and prototype machines from abroad so as to learn from their advantages and create our own products. These three kinds of technical force have already played a great role in developing technology in our bureau, but we still feel that our technical strength is lagging behind our own ambitions. Over the past 2 years, we have explored a new path of drawing support from the technical strength in society and developing technology in coordination with institutes of higher learning. In our view, this is an effective means of rapidly turning the achievements of scientific research into productivity. Institutes of higher learning and scientific research units have access to information; they have great technical strength and perfect conditions for experiments. Consequently, they experiment with producing many new products every year. But they lack production conditions and many of the products resulting from

their experiments cannot be put into production even after these products have been appraised, while the situation in our bureau is just the opposite. Therefore, as the two sides have their own positive sides, they can learn from each other's advantages to overcome shortcomings, promote each other and make progress together. Statistics show that over the past 2 years, 34 enterprises under the bureau have established relations with 23 institutes of higher learning and scientific research units. Together they have experimented on 56 kinds of new products, of which 22 items have been completed, many of these items reaching advanced domestic and foreign standards. Our main methods in this work include the following:

1. Inviting experts and professors as technical advisors to enterprises.

Up to the present, we have invited 11 experts, professors, lecturers and engineers from institutes of higher learning as technical advisors to a number of companies and enterprises. They have constantly pointed the direction for the development of our products, participated directly in experiments with new products and played important roles in training technicians and in popularizing our products in society.

For example, when the film projector factory was experimenting on the Dongfeng II Horizontal Film Projector, it had no choice but to prolong the process of the experiment for 6 months because the factory technicians had different views on the design programme. The factory then invited the chief engineer from the film projector research institute of the General Instrument Bureau to be its technical advisor. This comrade checked the design program and, relying on his many years of experience and his knowledge, clearly explained all the 10 major technical questions, including the automation of the projector and the division of high and low audio frequencies. Deeply convinced, these technicians were able to quicken their experiment and, consequently, the Fongfeng II Projector was appraised in 1981. The comrade from the research institute has not only given direct guidance in major technical problems in the process of production, but has also made valuable suggestions as to how the factory should develop its products in the future. On the basis of developing the Fongfeng II projector, he suggested the trial production of a Dongfeng III Projector that is low in price and needed in rural areas, prefectures and people's communes, and also the trial production of miniprojectors for family use. Moreover, he also suggested the production of high quality and sophisticated projectors so that the factory would be able to produce various kinds and sizes of projectors to meet various needs.

Another example is the atmospheric sulphur dioxide measuring instruments made by the No 3 Analytical Instrument Factory. These were of low quality and, consequently, were all returned by the users. As a result, the factory sustained a loss for 2 years running and was in a very passive situation. After studying the problem, the factory found that the reason was the lack of technical force. Consequently, it invited two professors from Nankai University as technical advisors to help solve the technical problems of the measuring instruments. Now these products rank first in the country, surpassing those made in Shanghai and Beijing. The factory has expanded the

sales of such products, and last year it increased production and turned loss to profit.

The technical advisors are very enthusiastic in helping our companies and factories. They have been responsible for helping companies and factories in such work as checking development plans, production plans and designing tasks. They have also participated in appraising new products and holding sales exhibitions. They have given regular lectures for technicians, introduced technicians to the study of technical courses at university, taken part in the work of promoting technicians to higher positions, given us information about technical developments at home and abroad and about the development of products to help broaden the vision and mind of the technicians and improve design levels. In general, these advisors are technical authorities in some aspects. Therefore, their popularization of products is highly authoritative. They have taken part in appraising our products or introduced our products to society. Thanks to their efforts, we now have more customers.

2. Make use of the research achievements of institutes of higher learning and scientific research units.

This is a shortcut for lessening the period of testing new products, for stepping up product replacement and making use of research achievements of institutes of higher learning and scientific research units by turning these research achievements into products. The products made on this basis are sophisticated and difficult to make. Most such products reach an advanced international standard and are still an undeveloped area in our national production. By constantly trial producing such products, our bureau will be able to catch up with the advanced level at home and abroad.

For example, the research achievements made by Zhejiang University concerning 120-rotation cameras were the first such achievements made in our country. In August last year, the achievements were transferred to the photographic apparatus factory of our bureau for production. When the news that we planned to produce 500 such cameras spread in society, many customers began to order the products. The achievements made by this university in the study and research of mini-exposure meters are also vital for replacing similar products, and these achievements have been transferred to the photographic apparatus factory which, in return, made research payments to the university in the interest of both sides.

The Tianjin Municipal Textile Research Institute has made achievements in the research and study of the spectrum colorimeter, a standard instrument for measuring color which our country had not been able to make. The Navigation Apparatus Factory used these achievements in production, with the research institute providing all the blueprints and materials needed. This institute has also guaranteed to help the factory carry out the production of the colorimeter. It was agreed that during the 3 years following production, the factory would retain 30 percent of the profits of the product for the institute.

3. Coordinate with institutes for higher learning and scientific research units in developing new products.

Some enterprises under the bureau have coordinated with institutes of higher learning and research units in developing new products, displaying the initiative of the two sides and each side's initiative so as to promote the work of developing new products.

For example, the No 2 Special Radio Equipment Factory has developed from a small neighborhood factory run mainly by housewives. The average technical level of the workers in this factory was just slightly higher than the second grade. This factory had virtually no ability to make new products. For many years past, it had not enough production tasks, suffered losses and sometimes even did not have enough money to pay wages. But over the past few years, this factory has been active in carrying out technical cooperation with institutes of higher learning and, consequently, has considerably improved its technical force. Two lecturers from Hebei University have coordinated with this factory for a long period concerning technical matters. They have given much help to the factory in directing the development orientation of products, guiding product designs, training technicians and helping the factory to understand the technical development at home and abroad. Thanks to this coordination, the factory has now been able to produce its own new products and develop the scale of production. Over the past few years, this factory has also coordinated with Tianjin University, Hebei Industrial College, the Nos 10 and 11 Designing Institutes under the Ministry of Electronic Industry, the Chinese Academy of Sciences and Beijing Architectural Designing Institute to develop new products. Consequently, this factory has greatly improved its situation. It has not only repaid the 100,000 yuan debt and made up the 300,000 yuan loss but has also made a profit. Over the past 3 years, its output value on the average increased by 20 percent annually while its capacity to produce new products has also been improved. For example, it filled in a blank in our country when, in coordination with the Architectural Research and Design Institute under the Ministry of Metallurgy, it successfully made winding-type automatic air filters. In coordination with Tianjin University, it has also devised G2 series medium and high efficiency filters with efficiency and resistance reaching the technical level of the AAF2100 products that are made by the United States and Japan. Consequently, it has been able to fill in a blank in production in our country. In its coordination with Xibei Telecommunication Engineering College, the No 5 Radio Factory has made a trial production of 2400 baud per second modems and error-preventing weight instruments of a comparatively high standard. These achievements have been appraised and put into production.

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## NATIONAL POLICIES AND ISSUES

### 'JINGJI GUANLI' SUPPORTS INDIVIDUAL BUSINESSES

HK080823 Beijing JINGJI GUANLI in Chinese No 8, 15 Aug 82 pp 8-11

[Article by Liang Chuanyun [2733 0278 6663]: "Actively Support the Healthy Development of Individual Industrialists and Businessmen in Cities and Towns"]

[Text] I

The individual industrialists and businessmen of cities and towns are a major component part of the nonagricultural individual economy of cities and towns. In recent years, with the implementation of the policy of "readjustment, restructuring, reorganizing and upgrading" of our national economy, there have been new developments in individual industry and business in the cities and towns of our country. By the end of 1981, there were already 826,000 households, totaling 1,011 million people, 200,000 people more than in 1980, and 6.2 times more than in 1978. Of them, 237,000 people were youths waiting for job assignments, or 23.48 percent of the total; 71,000 were retired staff and workers, or 7.12 percent; 535,000 were people with nothing to do, or 53 percent; 165,000 were other people, or 16.4 percent. Classified according to trades, 90,000 were in the handicraft trade or 8.93 percent of the total; 13,000 were in communications and transportation, or 1.35 percent; 7,800 were in house repair and renovation services, or 0.77 percent; 508,000 were occupied in commerce, or 50.29 percent; 19,700 were in the catering trade, or 19.56 percent; 188,000 were in the service and repair trade, or 18.7 percent; and 4,000 were in other occupations, or 0.4 percent.

In developing individual industry and commerce in cities and towns, the following active results have been achieved.

First, the gaps in the state-owned and collective commerce network are filled in, thus making things convenient for the masses. In Beijing, from the end of the 1950's, the service and processing network gradually diminished. For instance, in the eastern city district with a population of over 600,000 people, in 1978 there were only 14 state-run and collective shoe-mending units, 36 service and processing points, and 30 bicycle-repair points, thus resulting in great inconvenience for the masses. At present, in this district 103 individual shoe-mending households, 145 sewing and tailoring households, and 38 bicycle-repair households have developed, thus solving to a certain extent the



problem of "difficulties in obtaining repair services." In Tianjin, there were altogether 346 state-run and collective sewing service units in 1965; in 1978, the figure was reduced to 110 units; and in 1980, only 90-odd units were left. In order to solve the problem of "difficulties in making clothes," 227 individual sewing service households were set up within the year in 1980.

Second, the result of "making good omissions and deficiencies" has been attained, thus satisfying the needs of the masses. In Hunan Province, the Xiangxi Autonomous Region is an area inhabited by the Tujia nationality, the Miao nationality and the Han nationality. Silverware is the traditional ornament for the minority nationalities, during the 10 years of turmoil, individual labor service for processing and renovating silverware was banned, but the state-run and collective units seldom provided this kind of service, so the masses of minority nationalities were greatly dissatisfied. In 1980, the autonomous region authorities adopted appropriate measures to allow individual units to operate in some fairs and towns, and the masses brought their silverware such as necklaces, bracelets, rings and earrings to these units for repair, polishing and renovation, a service which had been absent for more than 10 years. The masses said jubilantly: "The party's policy toward nationalities has come back again." Guangzhou has a reputation for "eating" and "Guangzhou cuisine" has a great variety of delicious dishes. But for a number of years in the past, eating in Guangzhou presented quite a serious problem because of the scarcity of catering networks as well as the loss of local flavor in serving food. Since 1979, efforts have been made in Guangzhou to expand the catering network, at the same time reintroducing and developing some food varieties with local flavor such as "grandfather chicken," roast meat and poultry, spiced preserved beef, and so forth, thereby satisfying different kinds of requirements of the masses.

Third, the way to more employment has been opened, offering a beneficial factor to stability and unit. In recent years, the number of individual households approved has been on the increase, thus expanding the scope for employment. Up to the present, in the whole country there are over 230,000 youths engaged in individual operations, which is twice the number of 120,000 youths who have been assigned jobs by the Beijing Municipal authorities in the last few years. According to investigations, the income of the individual households in most trades is good. The average monthly income per capita is around 50 yuan at the lowest, and generally between 100 yuan to 200 yuan, with a minority of households gaining even more income.

Fourth, revenue has been increased, thus facilitating the construction of the four modernizations. According to statistics for the first 9 months of 1981, the yearly turnover of the individual households amounted to about 1.7 billion yuan. Thus, from the industrial and commercial business tax alone, the state can derive a yearly income of about 5.1 million yuan (all calculated according to 3 percent business tax). According to a typical investigation covering 1,810 people in Tianjin, the total turnover last year amounted to more than 3 million yuan, and from January to November, 93,000 yuan of taxes were paid to the state.

At present, the development of the individual industrialists and businessmen in cities and towns has the following characteristics.

First, from the viewpoint of the whole country, the number of people is steadily rising. The first quarter of 1981 registered an increase of 8 percent over the last quarter of 1980; the second quarter showed an increase of 17.5 percent over the first quarter; the third quarter an increase of 11 percent over the second quarter; and the fourth quarter an increase of 10 percent over the third quarter. At present, the number of individual industrial and commercial households is approximately equal to that of 1965.

Second, the proportion of youths waiting for jobs occupied in this field is rising gradually. According to statistics, by the end of September 1980, such youths amounted to 9.2 percent of the total number of individual households, and by the end of 1981 the figure had reached 23 percent. This shows that developing the individual economy of cities and towns has become an important channel for catering to the needs of youths awaiting job assignments.

Third, the development of different trades is unbalanced. Among them, the majority of people are engaged in commerce and the catering trade. Not so many people are engaged in the service and repair trades; even less people are engaged in the communications and transportation and house-repair and renovation trades. Those engaged in commerce and the catering trade account for about 70 percent; those engaged in handicrafts and communications and transportation account for only 10 percent. The main reasons for the imbalance are:

- 1) Handicraft and repair trade require people who possess a certain level of technical skills. But for many years attention has not been paid to specialized education, and only senior high school education is provided, with the result that many youths are lacking in technical skills after graduation;
- 2) the handicraft trade and communications and transportation need a considerable amount of money to operate, but the investment for operating commercial and food catering units is relatively small; and 3) in some service and transportation trades which employ nonmotorized vehicles and boats, a lot of labor is needed (and not much money can be earned in the service trade), and so on.

## II

The situation of the development of individual industrial and commercial households of cities and towns is basically stable and good, but there are also problems in two respects. On the one hand, some policies of the party and the state have not been implemented well, which hampers the further development of individual households; on the other hand, the individual households themselves exhibit certain kinds of capitalist ideology and style in their marketing and operation, and also there exist some "chaotic" conditions. The former is in the category of lack of "flexibility," and the latter is in the category of lack of "control." Regarding the implementation of policies, there exist at present the following problems which are harmful to the development of the individual households.

1. The source of commodities is the basis for the existence of the individual households. The state stipulates that state-run commerce should give equal treatment to the approved individual industrial and commercial households and to the enterprises owned by the whole people and owned by the collective. As for the supply of raw materials and source of commodities, active support should be given to these individual households. The authorities concerned further stipulate explicitly that the individual households can enjoy the offer of wholesale prices, and can get a certain portion of those commodities that are in short supply or that are very popular and in great demand; as to the raw materials or commodities which are not supplied by the state or which are short in supply, the individual households should be allowed to make their purchases in the assigned fairs. However, many of the local authorities concerned are reluctant to supply raw materials or commodities to the individual households. Even if supplies are available all they get is those materials or commodities that are unpopular, inferior in quality and high in price, or they are supplied with a combination of good and bad merchandise. At the same time, various restrictions are imposed on free purchases by individual households, which makes it difficult for the individual households to conduct their business.

2. The problem of suitable operation sites is a difficult one for the continued development of the individual industrialists and businessmen. In order to solve this problem, the authorities concerned have decided after investigations: on condition that the appearance of the city and the communications are not hampered, facilities should be provided for individual households regarding sites or areas for conducting business. Traditional stalls and kiosks in the city (morning markets or evening markets) and markets for minor commodities should be reintroduced appropriately. Corners and unused spaces facing the street of various organizations and enterprises or between buildings should be utilized. Civil air defense structures which can be converted into business sites should be rented to individual households for utilization. The ground floors of new buildings in cities and towns, if they are facing the street, can be sold or rented to individual households for shop fronts and those original shop fronts facing the street which have been converted to other uses should be restored for the convenience of the individual households. However, these suggestions are carried out with great reluctance and complication, so that market sites for individual households are extremely insufficient. At present, in some streets in the urban area of Guangzhou, there are three levels for operating business. The shop fronts are the state-run shops, on the sidewalks are the individual households, and on the roadside are some individual households or temporary business households. [paragraph continues] Some favorably located sites have to be managed by several individual households as instructed by the authorities concerned: some manage them in the daytime, while others manage them at night. Despite the scarcity of business sites, the number of applications to run individual businesses is constantly increasing. In addition, there are some individual households with approved business certificates, but because they have no fixed business sites, they are always running about all over the place to do their business exposed to the elements, just like "guerrilla activities," resulting in a condition of "being seen everywhere when the sun shines; nowhere to be found when the sky is overcast."

Among the 1,000-odd individual households of Anqing City in Anhui Province, at present only 26 households have their own shop fronts, and the rest are doing their business basically in the open air. The Tianjin Municipal Government stresses the importance of developing the individual households, while a communications brigade sent an "ultimatum" to the Bureau of Industry and Commerce, saying that individual households in the streets or on the roads are packed to the full and any more operations permitted by the bureau will be rejected resolutely. This illustrates the grave situation of the lack of business sites.

3. The burden of heavy expenses has directly affected the initiative of the individual industrialists and businessmen. The relevant documents of the CPC Central Committee and the State Council stipulate: individual households, aside from the prescribed taxes and charges, need not pay any additional charges or fees imposed by other administrative units on some pretext. But this problem has not been solved for a long time. According to some investigations, the individual households in some cities, apart from the requisite taxes, have to pay more than 10 kinds of charges and fees, such as site fees, fire service fees, joint defense fees, public security fees, hygiene fees, hygiene inspection fees, market transaction fees, and so on. These fees are collected on the basis of the sales turnover, or on the gross profit, or on the number of persons, plus the fact that some of the fees are rather high--all this has increased the responsibilities in operation of the individual households. Of course, fees should be collected whenever services are rendered, but the standard for collecting fees should be rationally set. Fees should not be imposed if no service or management work is offered. This is a problem worthy of our attention.

4. The problem of retired staff and workers engaged in individual business activities. Different views have been expressed regarding this. One of the views holds that since the retired people enjoy retirement allowance and free medical care, they should not do any private business; another view holds that the retirement allowance is the reward for past services rendered, and that retired people should not be denied the privilege of obtaining reward for past services rendered, and that retired people should not be denied the privilege of obtaining reward for additional labor needed by society provided that their health permits such activities. Furthermore, retired people normally have some kind of technical skills or business experience which may be passed on to the younger generation to facilitate their work in different trades. With due consideration being given to the above two viewpoints, our present policy toward retired people engaged in individual operation is neither all-round approval nor absolute refusal, but is permission with conditions attached. But the authorities in some places are too rigid and strict in implementing this policy, thus affecting the development of the individual households.

At present, there are many factors affecting the development of the individual industrialists and businessmen in cities and towns, but after all these problems have something to do with the views and cognition of the people, especially of some of the leading cadres concerning the individual industrial and commercial households. Because they have been rather seriously affected

by the "leftist" ideology, they have little understanding of the line, principles and policies being implemented since the third plenary session. Some regard the development of the individual households as expedient solely for the purpose of providing a livelihood for a portion of the population. Some even regard this as a kind of "retrogression" with the result that capitalism will be developed. Therefore, they do not give a free hand to the development of the individual households, and impose numerous restrictions on those households that have been given permission to operate. This is the root of impediment to the development of the individual households.

As for the individual industrialists and businessmen themselves, there are also some problems which are manifest. Some practice adulteration and imitation, or give short measure, some mark up their prices at will and cheat the masses, some evade taxes and some even engage in speculation to gain abnormal profits. These problems of the individual commercial and industrial households are connected with the nature of private ownership and ideological habits of this kind of economic element and also has something to do with the inefficient or weak management on our party. In order to promote the healthy development of the individual industrialists and businessmen in cities and towns, with a result which is "flexible but not chaotic," leadership and management must be further strengthened. At present, the most important thing is to enhance the understanding of the nature of developing individual households. Besides, these households should be helped to solve some of their practical difficulties. In the main, the following things should be done well.

First, the political status of the individual households should be raised. CPC and CYL members should be developed from among them, CPC and CYL organizations should be established, and advanced personnel and people's representatives should be elected, so that people may understand that to engage in individual business is glorious and deserves the respect of the people so long as they abide by the law and do a good job.

Second, labor protection and a welfare system should be gradually established for the individual households so as to ease their worries about childbirth, old age, sickness and death. Some people suggest that insurance companies should gradually set up the business of people's insurance, by which the individual households can pay a certain amount of labor insurance funds to the insurance organization within a fixed period, and the retirement allowance for these individual households can be calculated based on the amount of money paid for the insurance service. Some people have proposed that the state implement the system of social insurance for the individual households, the retirement allowance being calculated in accordance with the taxes paid during their operational period. Before setting up a labor protection fund system, the laborers' association can first set up a kind of relief fund or mutual aid fund, so that the temporary difficulties of some individual households can be overcome.

Third, the system of technical training should be established. Some industry and commerce administration departments, with the help of the units concerned, have opened classes for technical training, and good results have

been achieved in assisting the youths to grasp certain techniques. This kind of experience is worth summing up and propagating.

Fourth, an appropriate policy should be adopted toward retired staff and workers formerly engaged in individual business. Consideration should be given to the influence of their activities on the existing professional people and on the youths awaiting job assignments, and at the same time consideration should also be given to youths gaining technical skills and experience from these retired persons, so that some of these retired people's difficulties may be solved in this way. Therefore, certain flexible measures should be taken in accordance with the concrete conditions on different occasions. For instance, people already in the business may be given preference, new applications should be strictly scrutinized; people guiding apprentices should be more favorably treated than others. Those who are in financial difficulties should be given more consideration than those who are not, and so on.

Fifth, the individual households should be helped to solve their practical problems such as source of commodities and business sites. The fundamental point in solving the problem of the source of commodities is to develop production, but at the same time it should be noted that if the reform of the economic system is smoothly carried out, and the planned economy is well integrated with regulation by market mechanism, the majority of commodities can be obtained in the fairs. At present, the way to solve this problem is still for the relevant departments, such as the departments of commerce, supply and marketing, materials, grain, and others, to actively support the development of the individual households, with an attitude of "helping them to mount up, and seeing them on their way." The problem of business sites for individual households, from a long-term point of view, should be settled beginning with city planning. That is to say, the construction of cities should give adequate consideration to developing small-scale business networks and also to individual business networks. At present, some local authorities put forward the methods of "lending, exchanging, renting and integrating" sites so as to solve the problem of insufficient business space. These methods are worth publicizing.

Sixth, the charges and fees imposed on the individual households should be reduced. The stipulation of the state should be reaffirmed: from now on, charges and the standard of charges should be decided or approved by the people's governments at the provincial level. Without such approval, no units or departments should impose charges on the individual households. The individual households have the right to refuse to pay fees not approved by the provincial authorities.

Seventh, the economic levers such as pricing and taxes should be utilized to appropriately regulate the income of different trades, with the aim of encouraging some individual households to conduct business which is needed by the masses but which is insufficient in number, such as small handicraft trades, repairs, servicing, catering, and others. With reference to the fluctuation of the market, the revenue department can stipulate that within a certain period of operation of certain trades can enjoy a reduced tax rate



or even be exempt from taxation, and that certain trades should pay more taxes, so that the function of the state in guiding, solving and supervising individual industry and commerce can be realized. Furthermore, administration and management over the individual households should be strengthened, banning illegal activities and protecting the legal benefits. Regarding people who engage in illegal business activities, based on the condition of the offence, various forms of punishment should be imposed, such as criticism and education, economic restrictions, and even capital punishment. To this end, the constant association of the administrative units with the masses of various sectors should be strengthened, so that mass supervision can be enforced and effective management can be realized.

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## NATIONAL POLICY AND ISSUES

### REFORMS IN SICHUAN COMMODITY CIRCULATION SYSTEM DISCUSSED

Chengdu SICHUAN RIBAO in Chinese 22 Jul 82 pp 1, 4

[Article by Wan Dong [5502 2639]: "Reforms in Sichuan's System of Commodity Circulation Are Successful"]

[Text] Under the guidance of the correct line of the Third Plenary Session of the 11th Party Central Committee, reforms in our province's commodity circulation system have achieved a major breakthrough. The commodity circulation system of the past, which was closed off with few channels and many links, has been changed. A commodity circulation market has been developed consisting at heart of state-run business. It has diversified economic components, many channels and few links. It is open to trade. As for reviving the economy, this major reform will encourage the development of industrial and agricultural production and stimulate urban and rural exchange. It serves the livelihood of the people and plays a good role.

For quite a long time, due to the fact that the system of commercial management has been overcentralized and rigidly managed, there has been a lack of coordination between production and marketing, and channels have been blocked off. This has affected the development of industrial and agricultural production as well as improvements in the people's standard of living. Since 1979 the commerce, supply, marketing and grain sectors have earnestly carried out the spirit of the party's Third Plenary Session. They have been freed from old ideas and have actively and reliably carried out reforms in the commodity circulation system. They first changed the commodity planning and management system. They altered the system of controlled procurement and exclusive monopoly on the sales of industrial products. They coordinated production and marketing on the basis of controlled procurement, controlled distribution, uniform distribution, planned procurement, ordered purchases and selective purchases. In addition to fulfilling state plans and commercial contracts for ordered goods, the industrial sector has the right to market independently. Commercial enterprises may bypass the immediate leadership or cut across regions to organize commodity turnover. As for subsidiary agricultural products, they readjusted the distribution and procurement of varieties of products and they adopted methods for determining base figures for purchases and for determining the ratio between purchases and reserves. After fulfilling the tasks of controlled procurement and distribution, they opened up negotiations on procurement and sales of primary, secondary (except for cotton)



and tertiary products. They opened up markets for subsidiary agricultural products in urban areas and relaxed controls on urban and rural country trade fairs. They also permitted long-distance transport of tertiary agricultural byproducts and some secondary products after quotas had been met. After they had adopted these reforms and under the premise of considering state planning to be primary, the subsidiary role of market regulation was given full play. The interests of the state, the collective and the individual were readjusted. They extended the rights of enterprises and production brigades to independent marketing and spurred initiative in production. They encouraged and developed the production of commodities and caused the market to flourish.

Meanwhile, they broke through the situation of exclusive state-run businesses. They relaxed their policies and restored and developed collective and individual commercial enterprises as well as urban and rural country trade fairs and other diversified economic sectors.

Comparing 1981 to 1978, the volume of retail sales of social commodities throughout the province increased 51.3 percent. In collective commercial enterprises it increased 1.5 times, and in individual commercial enterprises it increased 8.1 times. As regards the flourishing of the market and insuring supplies, it played a role in helping and supplementing state-run businesses. Independent marketing in industrial and production brigade enterprises and in combined agricultural, industrial and commercial enterprises increased 2.5 times. As for the supply of raw materials and the marketing of products and understanding market demands, the needs of these enterprises for their vigorous development were met. Problems in state-run businesses that had not been fully resolved were also solved.

There was an increase of 994 markets in country trade fairs, and the sales volume increased 90.8 percent. This played a major role in reviving the rural economy and spurring on the development of economic diversification. The development of diversified economic sectors effectively solved the problem of insufficient commercial network outlets and improved the quality of life. In the past 3 years, 95,000 commercial and service trade network outlets were newly added throughout the province. In our province on average there were 29.3 commercial network outlets per 10,000 people. This surpassed the highest level in the history of our province. Problems such as "not having enough to eat," "difficulties in making clothes" and "problems in buying produce" were resolved.

The development of diversified economic sectors and of many channels of circulation opened up new competitive prospects in the sphere of circulation. It caused the market to come to life. The management mode of state-run businesses was also made more flexible than before. They set up firms for negotiating the purchase and sale of grain and established trust service departments and warehouses. They organized small commodities wholesale markets and marketplaces for fresh commodities such as eggs and fruit. They also developed diversified economic associations such as the joint management of processing and sales of agricultural byproducts, joint management among regions, joint procurement and selling among commercial enterprises and joint purchasing with separate selling. The turnover of commodities smashed through the limits set by administrative regions. This is a rational course of action and has resulted in a reduction in the links.

## NATIONAL POLICY AND ISSUES

### WAYS TO IMPROVE SICHUAN INDUSTRY, COMMUNICATIONS OUTLINED

Chengdu SICHUAN RIBAO in Chinese 20 Jul 82 p 1

[Editorial: "New Tasks Under New Conditions"]

[Text] During the first 6 months of this year, production in Sichuan industry and communications has focused on improving economic results. Overall reorganization of enterprises has been conscientiously carried out, and a good situation of stable development exists. This is the great result of the earnest and collective effort of vast numbers of cadres, staff and workers as well as the masses in implementing the directives of the State Council, the provincial CCP committee and the provincial government.

It is noteworthy that during the first half of this year new changes occurred in production in industry and communications which were accompanied by new problems. One is that changes have occurred in the industrial structure. This year heavy industry has picked up quite a bit. The growth rate has increased month by month. Thus, it has intensified shortages in communications and transportation. The second problem is that there have been changes in product structure. Some light industrial products were originally selling well, but now they are selling slowly and are becoming overstocked. Certain heavy industrial products which were once in abundant supply are now in short supply. Supply no longer corresponds to demand. The third problem is that the consumer structure has changed. This year the supply of consumer products has been fairly abundant and the people have had a greater choice of commodities. However, the quality of certain products is poor and the variety and assortment has been limited. They do not meet the demands of society.

Under the new conditions, we must obtain good economic results if we are to maintain a definite growth rate in production in industry and communications. All regions, departments and enterprises must integrate their experiences, earnestly carry out research, and adopt effective measures to solve new problems that have arisen in production in a practical manner. All work must fit in with the changes in conditions.

In organizing production, it is necessary to give priority to upgrading quality, increasing variety and increasing the production of marketable and needed products. The growth rate required must not be inflated. This so-called

uninflated rate primarily means that products must meet quality requirements and the demands of society. If quality is poor and products become overstocked because they do not sell while the production of goods increases, not only is it unprofitable, but it may be disastrous. The call to improve economic results will then come to nothing. Improving product quality has already become an extremely pressing task of prime importance in industrial production. Each region, department and enterprise must give it top priority in organizing production. When reorganizing enterprises they must fully mobilize the masses and organize the strength of the "three-in-one combination." They must attack quality, struggle to upgrade scientific and technical work, and successfully complete all basic work. During the second half of the year they must steadily increase product quality by 90 percent over last year. There must be a sizeable increase in new varieties and designs so as to win victories through quality, innovation and low prices.

It is necessary to strive to conserve raw materials and fuel resources, lower production costs and increase revenue while cutting down on expenditures. In our province the tax and profit from industry and communications enterprises constitutes 80 percent of the total financial revenue. Whether or not we can increase revenue and cut down expenditures has a great bearing on fulfilling financial revenue plans. During the first 6 months of the year, although there was a considerable increase in the profits turned over to the state from local industrial enterprises compared with the same period last year, nevertheless, during the second half of the year there have been new factors that have affected revenue. We must fulfill this year's plans for financial undertakings. It is a difficult task, so we must strive even harder and under no circumstances should we relax our efforts. The basic way to increase revenue is to increase production and practice strict economy. The light and textile industries must continue to advance. Given the situation that certain products have limited production and decreased revenue, we must make up for this by reducing production costs and increasing the production of other marketable and needed products. Heavy industries must vigorously strive to decrease consumption of raw materials and fuel resources and make every effort to make transportation plans so as to maintain a good growth momentum and to increase production and revenue. All enterprises must confront the weak links and actively adopt measures to cut back on production costs and to accelerate the turnover of circulating capital. As for enterprises that have incurred losses, it is necessary to conduct an investigation to help them solve existing problems and to change the situation within a fixed period. Only if all businesses make a concerted effort to tap potential in various areas can the financial undertakings of industrial enterprises in our province be completed this year. If they do their work well they may even exceed their quotas.

It is necessary to improve management and do good work in the marketing of industrial products. In our province we have a large population, so the market for industrial products is vast. With the development of production, the supply of many kinds of commodities is currently fairly abundant. In general, market conditions are also excellent. However, certain channels have not yet been adequately opened up. In some areas commodities are overstocked, while in other areas they are sold out. In cities there is overstocking, while in the countryside goods are out of stock. Thus, it is well worth organizing to get commodities to the countryside. Industrial and commercial sectors must

give top priority to improving management and doing good work in the marketing of industrial products. We must uphold the policy of considering a planned economy to be primary and market regulation to be subsidiary. We must organize production and supply according to planning and contracts. Furthermore we must strengthen industrial and commercial connections, coordinate industry and commerce, open up channels for circulating commodities, and we must get industrial products to the countryside. While insuring that there is an ample supply of industrial products for daily use, we must also work out the supply of agricultural production materials, steel products, cement, glass and other building materials. As for small commodities that earn little profit, as long as there is a demand for them on the market, the industrial sector must actively arrange production and the commercial sector must actively carry out management. Industrial and commercial sectors must improve their market forecasting and set up information feedback networks so as to facilitate improving production and supply according to the changing conditions of the market.

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## AGGREGATE ECONOMIC DATA

### BRIEFS

CREDITS TO COMMUNE ENTERPRISES--Based on the policy of "considering a planned economy to be primary and market regulation to be subsidiary," during the first 6 months of this year Sichuan's agricultural bank and credit society granted 790 million yuan in credit to commune enterprises. They actively assisted the sound development of commune enterprises during reorganization. This year cadres in banks and credit societies throughout the province concentrated on production and circulation. They carried out investigations and studies on the more than 30,000 commune enterprises in the province. They determined the main direction for credit funds in line with local conditions. The essential points were to give aid to production brigades in their development of cultivation, breeding, the processing of agricultural by-products, construction material industries and small farming tools. They chose to give aid to those enterprises which had correct management, raw material resources, marketable products and which operated at a profit. They urged commune enterprises to organize production under the guidance of state planning and according to the needs of society. [Text] [Hangzhou ZHEJIANG RIBAO in Chinese 9 Jul 82 p 1] 9864

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## DOMESTIC TRADE

### BRISK MARKET NOTED IN COUNTRYSIDE

Yinchuan NINGXIA RIBAO in Chinese 26 Aug 82 p 1

[Article by Li Shouli [2621 1343 4539]]

[Text] Since the Third Plenary Session of the 11th Party Congress, market prosperity has emerged in the rural villages of the prefecture. It has been a good situation of buying and selling. According to the statistics of the supply and sales associations of the autonomous region, the rural retail sales amounted to 225.82 million yuan in 1981, an increase of 16.9 percent over 1978. For the period of January-July, the increase was 20.5 percent over the same period of 1978. Mainly the sales of agricultural products have increased on a large scale. The supplies of industrial products for daily use have improved. The shortage of some products has shown a tendency of easing up and the supply of general merchandise is plentiful. The ratio of sales of medium and high priced merchandise is obviously increasing.

Due to the practice of the system of production responsibility, the commune members feel secure and their mind turns to farming. The scene of quiet living and peaceful work has emerged in the way of "taking care of production first, building a new house next, and no hurry in buying items for daily living." In the period of January-July this year, the total sales of agricultural production materials increased 16.7 percent over the same period last year, to take up a ratio in total retail sales of 31.2 percent, up from last year's 27.2 percent. The sales of chemical fertilizer, medium and small farm implements, carts, and draft animals have increased on a large scale. Hardware, paints, and indoor electrical supplies used to build houses in the rural villages have also been selling in obviously greater quantities. With the readjustment of the national economy and the development of light textile industries, the number of consumer products have increased. There are more different types, and new products continue to appear to alter the supply situation of the rural markets. Aside from certificates needed to purchase cotton cloth and a few other items, the majority of the goods are freely supplied. Such articles as soft bed sheets, wool blankets, fine wine, good tobacco, reputable bakery goods, snacks, wood furniture, etc, that have not been seen on rural markets for many years, are available to the masses now. The sales of AC console radio receivers, television sets, audio recorders, wool materials, and other medium and high priced articles are also increasing in the rural villages. According to statistics, 20 major industrial

products for daily consumption have increased in sales over 35 percent in 1981, compared with 1978. Of these, the sales of chemical fibers, synthetic cloth, plastic shoes, semiconductor radio receivers, sewing machines, watches, and wine have doubled or tripled.

The merchandise is plentiful and the farmers' purchasing power is also high. The phenomenon of "holding the market to prevent rush buying" has changed to "stocking the market to offer choice." There is large room for choice; the result is not buying something unless it is needed; but buying unless the pattern and color are good; and not buying unless it is a famous brand. On the other hand, there is a tendency to develop the medium and high-priced items. To use, as examples, the four articles much admired by the masses, the sales of watches increased 85.1 percent in 1981 over 1978; the sales of bicycles increased 37.5 percent; the sales of sewing machines 64.4 percent; the sales of semiconductor radio receivers 5.9 percent. There were no television sales in 1978. In 1981, 3,505 television sets were sold; in the period of January-July this year, 3,249 television sets were sold, nearly the number of the entire year of last year.

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## DOMESTIC TRADE

### ARTICLE NOTES GROWTH OF COUNTRY FAIRS

Yinchuan NINGXIA RIBAO in Chinese 28 Aug 82 p 1

[Article by Li Guiying [2621 2710 5391]

[Text] Since the Third Plenary Session of the 11th Party Congress, the city and country fairs of the prefecture have been conducting prosperous trade with sustained sales activities to activate the city and rural economy, to ease the livelihood of the people, and to promote production.

According to statistics, the number of city and country fairs of the prefecture have risen to 141, 39 more than the number in 1978. Not only that the cities and major townships have fairs, fairs have also been developed in some industrial and mining districts and remote villages. At the Wuzhong County city fair, more than 30,000 persons visited each time and at times the crowd may have reached 50,000. That location has already become an important point of gathering and dispersion of merchandise. With the implementation of the various economic policies of the party, the products of agriculture and auxiliary industries have grown by leaps and bounds. The types of products on the market have been increasing all the time. Each time, on fair day, the commune members bring various agricultural and auxiliary industrial products to the market and the state-operated commercial concerns and supply and sales associations also set up booths. Some individual merchants also come to attend the fair. According to statistics, the sales at all the city and rural fairs of the prefecture in 1981 amounted to 76.73 million yuan, more than a 4-fold increase over that of 1978. In the 3 years of 1979-81, the average increase of sales has been 46.5 percent a year. The sales of the lot half of this year was 46.5 percent higher than the same period last year. The sales of all the 15 major categories of merchandise have doubled and tripled in 1981, compared with those of 1978. The increase of sales of vegetables has been more than 3-fold, that of marine products and domestic fowls and animals more than 5-fold, that of grains more than 10-fold, and that of large animals and industrial products even greater. Compared with 1978, the prices of grains, vegetable oils, pork, and many other products have been stable and slightly lower.

The development of city and rural fairs livens the economy, the livelihood of the masses, and promotes the development of agricultural and auxiliary industrial production. The fairs open up a vast future for diversification of rural production and for developing and utilizing local resources. In these years, due to the practice of production responsibility systems in the rural villages,



the supply of large animals and medium and small farming tools cannot meet the demand, and these markets provide a very good function of adjustment. According to statistics, in 1981, the value of the total exchanges of young fowls, large animals, various iron and wood farm implements, cart accessories, and other materials for agricultural production amounted to 20 million yuan. More than 43,500 heads of large animals were sold. In the past, it was difficult for city folks to buy agricultural and auxiliary products. Now things that have not been seen for many years can be bought any time. The masses commented: "The products come to the market early; all types of products are there; no need of getting in line to buy things; buy things early or late; things are clean and fresh; you may pick and choose all you like; there are no limits on quantity; the service attitude is superb."

The various areas also emphasized the establishment of markets. According to statistics, in 1981, 810,000 yuan were invested in the construction of markets. Tents measuring 6,000 square meters were constructed in 48 fairs or rain and sun protection; counters measuring 435 meters were built; and there were also spaces measuring 289 square meters for merchandise storage. This year, the departments of industrial and commercial administration and management also are working to organize the fairs for refined management and polite service to improve the quality of fair management and service.

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## FOREIGN TRADE

### FOREIGN INVESTMENTS IN SHENZHEN SPECIAL ZONE REPORTED

Shenzhen SHENZHEN TEQUBAO in Chinese 12 Jul 82 p 1

[Article by staff correspondent: "Baoan County Actively Attracts Foreign Investments"]

[Text] Correspondent Dai Musheng [2071 2606 0524] reports that since the establishment of the Shenzhen experimental special economic zone, Baoan County has actively attracted foreign investments and set up industries for the processing and assembly of imported materials as well as cultivation and breeding industries. To date, 573 agreements have been signed involving 280 million Hong Kong dollars in planned investments, of which 564 projects have already been put into production and 200 million Hong Kong dollars have been put into actual investments. From 1980 to the first half of this year, income from construction fees amounted to over 39.6 million Hong Kong dollars.

In the past, the industrial base in the countryside of Baoan was weak. Many beach and water areas along the shore were not fully utilized. Today, on the more than 2,000 kilometers of land from Dapengwan in the east to Zhujiangkou in the west, the rumble of machines in the new plants built by production brigades can be heard. It is a scene of prosperity and vitality, with many fish ponds and fisheries. The green waters are brimming with life, and shrimp and fish are in abundance.

In the past few years, the foreign commerce and commerce from Hong Kong in plants set up in Baoan through previous foreign investments have increased steadily. According to statistics, out of 329 project agreements that have already been signed, 321 have already been put into production. Of these, 132 were put into production in the first half of this year--a sizeable increase over the same period last year. As for projects for the processing of imported materials, there are several tens of projects involving clothing, woolen underclothing, textiles, plastics, silks, electronics, hardware, machine construction and vehicle assembly.

The climate of Baoan is temperate and the rainfall is sufficient. The land is fertile and there are fine bays and beaches. The natural conditions are superior and they are suited to the development of cultivation and breeding industries. In 1975 the State Central Bureau for Aquatic Products and the

Guangdong Aquatic Products Bureau proclaimed Baoan the top choice among the four large aquatic product foreign trade bases for construction. Later on, because of inadequate capital funds, facilities and technology and other factors, they were unable to proceed as they wished. In the past few years, foreign investments have been attracted, and cultivation and breeding have developed rapidly. As for cultivation, between 1979 and the first half of this year 244 projects have been attracted. The major ones were in growing vegetables, flowers, maize and fruit trees. In aquatic breeding foreign investments for over 103 projects have been attracted in fish and shrimp farming and in raising chickens, sheep and pigeons. There are over 39,000 mu of fish and shrimp ponds. The Hong Kong company of Dongbao Aquatic Products Investments Limited plans to invest 100 million Hong Kong dollars in the Sha production brigade in Dapeng Commune to build a topnotch fish and shrimp breeding farm, with 1,000 mu of fresh water and several thousand mu of salt water. Preparations for construction of this farm have already begun. The Fuyong Commune Aquatic Products Company attracted foreign investments for high-density fresh water shrimp breeding. It requested the guidance of Japanese technicians. Many fisheries with foreign investments breed the four major domestic types of fish as well as the blunt-snout bream, the fushou [4395 1108] fish and other well-known types. They also introduced the mangcao [4159 7625/2580] fish from Thailand. Its growth rate is rapid and it is valued at 50-60 Hong Kong dollars per jin.

In attracting foreign investments in fish and shrimp farming, due to the high degree of mechanization and the relatively good concentrated feed, technology and management, the aquatic products appeared on the market the same year that most fish and shrimp ponds were dug. Last year 799 tons of fresh water fish were exported, and this year between January and March, 165 tons of fish were exported. The production brigades' share of foreign exchange was 2.42 million Hong Kong dollars and 430,000 Hong Kong dollars respectively.

With the introduction of foreign investments in developing the processing and assembly of imported materials as well as cultivation and breeding, there has been an increase in the revenues of the state, collectives and individuals. The economic structure of the countryside has begun to change, and over 6,200 people have found employment. At the same time, advanced production technology has been acquired. The Jinshawan production brigade in Buji Commune ran eight plants for processing imported materials. Last year this production brigade's income from industry was 240,000 Renminbi. On this project alone, the average per capita income for the entire brigade was 180 yuan, which constituted 70 percent of their overall income. The 15 teams of the Fuyong Fenghuang production brigade attracted foreign investments in running vegetable markets. Last year their per capita income was over 1,200 yuan and there were four households whose gross income amounted to over 10,000 yuan.

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## FOREIGN TRADE

### SICHUAN REPORTS INCREASE IN FOREIGN TRADE

Chengdu SICHUAN RIBAO in Chinese 19 Jul 82 p 1

[Article by staff correspondent: "Sichuan Achieves New Successes in Foreign Trade"]

[Text] In the first half of this year, Sichuan achieved new successes in foreign trade. Between January and June annual plan for the volume of purchases was fulfilled by 52.8 percent, an increase of 23.5 percent over the same period last year. Of this, industrial and mining products increased by 20.6 percent over the same period last year, light and textile industry products increased by 17 percent, and subsidiary agricultural products increased by 39 percent.

The export of industrial and mining products from Sichuan has expanded rapidly during the past few years. This year it has continued to grow; purchases of machine tools and diesel engines have increased 3 times and 12-13 times respectively compared with the same period last year. Purchases of tools have increased 84 percent, farm tools have increased 1.7 times, and chemical and pharmaceutical products have increased 47 percent. Due to the increased development of production, there has been an increase in the export volume of products from the light and textile industries. The quality of these products has also been upgraded. In the first half of this year, purchases of canned goods for export increased 23.4 percent over the same period last year. Knitwear and cotton goods increased 1.2 times, silk fabrics increased 12 percent, silk and satin goods increased 37 percent, glass containers increased 57 percent, and batteries increased 1.8 times. Along with the consolidation and improvement of the system of responsibility in agricultural production and the development of rural economic diversification, there has been an even greater increase in the supply of subsidiary agricultural products for export in Sichuan. Traditional export commodities such as preserved mustard, honey and vegetable oil have already surpassed the annual procurement plans. The procurement of animal products such as frozen beef, mutton and rabbit, and Chinese medicinal herbs, hog bristles, feathers, rabbit fur, etc., has increased by a sizeable amount compared with the same period last year.

This year Sichuan's self-managed export businesses have expanded. Between January and June the returns from exports showed an increase of 23.4 percent

over the same period last year. The variety of commodities for export increased from 330 last year to over 350. Exports of frozen pork to Hong Kong increased 70 percent over the same period last year. Vegetables increased 78 percent, preserved mustard increased 4 times, and the export volume of other products such as flashlights, batteries and industrial and farming tools increased considerably over the same period last year. Sichuan's chemical and pharmaceutical products are definitely competitive. New markets in Hong Kong, Macao, Japan, Southeast Asia, Europe and the United States have opened up. In the first half of this year, the total returns on these exports increased 2.1 times compared with the same period last year.

In Sichuan during the first 6 months of this year local imports of ordered goods increased 46.6 percent. The range of imports also expanded.

This year the party and government at all levels further strengthened the leadership in work on foreign trade. Each concerned department improved its cooperation and coordination. The foreign trade departments earnestly worked on supplies of goods for export within their plans and actively encouraged production departments to coordinate the development of new commodities for export. They made every effort to organize the supply of goods for export beyond existing plans. There were improvements in readjusting and studying market conditions and in promoting the sales of goods as well as in transportation, packaging and advertising. The influence of Sichuan commodities on the world market has grown. Among the more than 60 nations and regions that have trading ties with Sichuan, there has been an increase from 600 to 800 companies that have established client ties.

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## FOREIGN TRADE

### POLICIES ON EXPORT TRADE EXAMINED, READJUSTED

#### Increase of Export Products

Yinchuan NINGXIA RIBAO in Chinese 31 Aug 82 p 2

[Article by Jiang Hanyuan [3068 3352 0337]]

[Text] Since the Third Plenary Session of the 11th Party Congress, the department of industry of the prefecture has conscientiously implemented the policy of readjusting the national economy and earnestly developed services for the livelihood of the people to produce products for the domestic markets and for the export trade. When the 3 years of 1979-81 are compared with the 3 years of 1976-78, the total value of the industrial products for export has doubled and the ratio of the total export industrial products in the total export items has been raised from the 60.9 percent of 1978 to the 78.67 percent of 1981. In these years, aside from a continuation of development of such traditional export products as blankets and rugs, the export of other industrial products has also been expanded. At present, the number of export industrial products have been developed from the original 40-plus items to 60-plus items. These products are being sold to Korea, Japan, Europe, America and many other countries and regions.

The people's government of the autonomous region has attached a great deal of importance to the development of export industrial products and at the same time seriously demanded that the enterprises raise the quality of the products to increase the number of products suitable for foreign sales. The advantage of the coal resources is specially emphasized to enhance the reputation of the already internationally famous anthracite--Shanxi coal, and to expand its export market. In 1979, the quantity of exported anthracite from the region exceeded the highest level in history. By 1981, it reached 159,300 tons, a 4-fold increase over that of 1978. Last year, the related departments studied some problems in the coordination of production, transportation, and sales. After these problems were thus resolved, the quantity of export of anthracite grew again on a very large scale. By 20 August of this year, the quantity of exported Shanxi coal from Ruqigou Coal Mine which produces Shanxi coal doubled that of the same period of the previous year. The coal exported in the 20 quarter alone will increase 3.6 million yuan of income for the region. In order to change the structure of export products, the department of machine industry seriously developed the export trade of mechanical equipment. In 1981,

the value of exported machines of the region increased 67 percent over that of 1979. After the establishment of the Ningxia branch, the Chinese Machine Equipment Export Company continued to improve its management and under the overall planning and arrangement of the National Machinery Import and Export Company, the original form of simply allocating products for export has been developed into forms of direct negotiation and signing of foreign contracts, complimentary trade, and cooperative production, handled by specialty export companies to promote the development of production of export machine equipment. In 1981, the total value of industrial bearings exported to the Korean People's Democratic Republic increased 2.5-fold over that of 1979. This trade was based upon direct negotiations between the Korean and the Chinese Governments to designate specific dispatch locations. For several years, the Dahe Machine Tool Plant organized technicians to study advanced technologies of foreign countries to concentrate manpower for breakthroughs to help the precision of the exported honing machines to reach the advanced level of the world. Last year, the Changcheng Machine Tool Manufacture Plant signed a contract with the Italian Mi-Miser [transliteration] Company to produce 150 of these machines for a total value of 2 million yuan. At present, that plant is producing them and foreign sales have begun.

The departments of foreign trade and supplies and sales also emphasize the support they provide to the commune-brigade enterprises to utilize local resources, to develop the production of artifacts, and to increase the export trade. With the help and support of the department of foreign trade, Qingtongxia County had an income of 250,000 yuan from woven willow branch articles. This year, 29 new woven willow branch articles have been developed in the county. These articles are selling very well in the United States, France, West Germany, Japan, Belgium, and other countries and regions and the total export quantities are even greater than last year.

#### Open Policy in Guangzhou

Guangzhou GUANGZHOU RIBAO in Chinese 6 Sep 82 p 2

[Article by He Zhigang [0149 1807 0474]]

[Text] Since the Third Plenary Session of the 11th Party Congress, the industrial and commercial front of Guangzhou City conscientiously implemented and executed the open policy toward foreign countries. Contracts have been signed with foreign merchants and merchants of Hong Kong and Macao for processing their materials, assembling their parts, manufacturing from their samples, etc, to carry out complimentary trade and cooperative production (management). Products of cooperative investment total 5,388 items and the amount of the contracts reaches \$750 million. Of this, the value of advanced and suitable equipment introduced through forms of complimentary trade and processing, and assembling supplied materials and parts amounts to nearly \$40 million. With the portion of foreign exchange retained by the local jurisdiction, 4,300-plus machines (sets) of advanced equipment are imported. The introduction of these advanced machines and technologies have promoted the reconstruction of the city's industrial capabilities, raised the level of industrial techniques, and promoted the development of industrial production.

After the implementation of the open policy, the city has introduced 25 production lines and a collection of new equipment, new techniques, work processes, and new materials to cause some preliminary changes in the level of industrial technology. Many of these advanced technologies and work processes have been absorbed and digested for our own use. For example, in machine industry, the Elevator Industrial Company introduced foreign advanced techniques and equipment to produce elevators to cause the elevator production of the city to reach the advanced technical level. Guangzhou First Cotton Spinning and Weaving Plant is the city's oldest cotton spinning and weaving mill and most of its equipment belonged to the thirties and forties. The work process was backward, the labor was intensive, and the productivity was low. In recent years, after the entire process from spinning and weaving to dyeing was reorganized into a production line, the production efficiency and the quality of products have improved a great deal. The rope-type dyeing machine just introduced is better than the original pulp-type dyeing equipment in terms of product quality and productivity, and the cost of production is lower, reaching the advanced levels in China or in foreign countries. Through such forms as processing supplied materials, the Baiyunshan Pharmaceutical Plant introduced a collection of relatively advanced drug manufacturing equipment and technology, and at present, a shop with the advanced production process has been experimentally constructed. It is capable of producing tablets, capsules, injection solutions, and powder drugs. Last year, the value of its products was 36 times of that of when it first began to process supplied materials. Its product, Huoxindan, has become the popular drug for heart disease in the country. The Guangzhou Chemical Plant introduced the superthin film blowing machine and since then it has acquired the capability of producing films as thin as 0.09 mm in thickness and a void is thus filled for the country.

Since the implementation of the open policy, great changes have occurred to the district and street industries. For a long time, the equipment of the district and street industries were those obsolete and leftover tools originally belonging to state-operated enterprises. Their work process was backward and the production efficiency low. Their products were of poor quality. Before the development of processing and assembling for foreign countries, the district and street industries of the entire city had only 79 million yuan fixed assets and were producing 1,100 types of products. The total sales amounted to 280 million yuan. In the few years since the development of the processing and assembling work with supplied materials and parts, a total of 1,900 items have been involved in contracts and agreements signed with foreign merchants and 280 industries became involved, amounting to 21.6 percent of all the enterprises. In these years, 14,000 pieces of equipment, worth more than \$7.5 million have been introduced to cause the value of the fixed assets to increase to 118 million yuan. The number of products are increased to 3,700 types and the amount of sales to 479 million yuan. Now the district and street industries have horizontal knitting machines, supersonic wave hole punchers, totally automated enameling machines, and other advanced equipment. The Dongshan Street Industry introduced 12-head, 5-needle, 5-color computerized embroidery machines. Each of these can control 12 heads and can weave embroidered patterns in 5 colors. The productivity is more than 10 times higher than manual work.

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## GENERAL

### SYSTEM ENGINEERING'S FUTURE ROLE IN CHINA ENVISAGED

Taiyuan JISHUJINGJI YU GUANLI YANJIU [THE STUDY OF TECHNICAL ECONOMY AND MANAGEMENT] in Chinese No 2, 30 June 82 pp 1-3

[Article by Ma Hong [7456 3163]: "A Great Future for System Engineering"]

[Text] System concept and system thinking are formed in the course of practice in human society, and are continuing to develop. Along with the progress of modern science and technology and the enlargement of social division of work, there should be a coordination of various sciences and technologies before we can solve any comprehensive and complex problem. The development of modern science, mathematics and electronic computers has provided quantitative methods and calculating tools for carrying out meticulous analysis on various elements and laid the foundation for system engineering. That is why we say that system engineering is the inevitable outcome of scientific and technological developments in human society.

There is a specially close relationship between system engineering and materialistic dialectics in Marxist philosophy. Philosophy is a concise summarization of the universal laws of nature, human society and ideology. According to Marxist materialistic dialectics, the world is made of matters, and the materialistic world is a unified entity formed of numerous matters which are interrelated and interdependent, and which regulate and act on one another. To understand the essence of things, we must comprehensive study all their aspects and relations. This idea is reflected by system engineering's principle of entirety and the principle of relations. Marxist materialistic dialectics holds that there are universal laws governing all things, and that in studying about things, we must analyze their objective laws. Under certain conditions, law stands for the essential, universal and inevitable relations of things. This idea is reflected by system engineering's principle of sequence. Again, Marxist materialistic dialectics holds that contradictions exist in all things and that these contradictions undergo constant changes. This idea is also reflected by system engineering's principle of dynamics. This and so forth. All this shows that it is entirely correct that Marxist philosophy can be used as the theoretical foundation of system engineering. System engineering must be built on this foundation before it can be more correctly used and more rationally developed. It is very important that this point be grasped.

According to system engineering, the method of study is to conduct an overall study of the interrelations among all the components of a system, to comprehensively consider the various factors and to look for the best method in order to obtain the best result. In the capitalist society, the system of private ownership of the means of production has greatly restricted the application of system engineering. In the socialist society, the system of private ownership of the means of production is abolished, and the system of public ownership of the means of production is established. As decided by the nature of the socialist system, we must proceed from the overall interests of the state and all the people in solving important economic and social problems, and we must have planned economy and organize socialist cooperation on a mass scale. These requirements have created extremely favorable conditions for the extensive application of system engineering. Therefore, there are good prospects for the development of system engineering in our country.

We began to learn the use of system engineering in the 1950's because of the need to develop our national economy in a planned and proportionate way. Along with the development of sophisticated technology in national defense, we began to obtain some practical experiences in the use of the engineering system for overall planning and organizing in the engineering system. After the downfall of the "gang of four," and particularly after the Third Plenary Session of the 11th Party Central Committee, the study of system engineering theories and the popularization of its application entered a new phase, and we achieved even more gratifying success.

Now, while our country is in a new historical epoch, there are many arduous and complex tasks confronting us. At the Fourth Session of the Fifth National People's Congress, Comrade Zhao Ziyang gave a systematic description of the national economic situation and the important principles of economic construction in his "Report on the Work of the Government" made on behalf of the State Council. We should follow these principles in solving the relevant problems in economic construction. Since these principles concern many subjects for research in the field of system engineering, there is now an urgent need to get the experts organized for the research to be actively unfolded in the light of the important issues in our real life, in order to make our contributions to the accomplishment of the four modernizations.

What are the important tasks posed by our economic and social developments for the system engineers?

First, the system engineers should study the strategic question of our economic development.

Ours is a socialist country, and purpose of our economic construction and four modernizations is, in the final analysis, to satisfy the needs of the broad masses to the best of our ability in their material and cultural life, on the basis of economic development, in order that all the people can live a good and happy life. We are now working out long-range plans and have to determine the strategy for our economic development. How to appropriately determine the proportionate relationship for economic development according to the needs of economic and social development? How to correctly handle the relationships between eating and construction, between long-range and short-range benefits? And how to work out the best comprehensive permutation according to different periods and stages? These are the questions to be explored by system engineers.

Secondly, the system engineers should study the relationship between planned economy and the regulative role of the market.

Comrade Chen Yun has recently issued a series of important directives on economic work, stressing the need for our country to uphold the leading position of planned economy and the supplementary role of market regulation. In national construction, we must take the whole country into account. The use of system engineering methods to study this problem will be helpful in working out an overall balance of all sectors of the national economy; in discovering the best way to coordinate the work of different departments and different regions; in studying the feedback of information and mastering the laws of regulation; and in exploring the methods of quantitative analysis in order to strengthen the planned economy and to bring into play the supplementary role of market regulation.

Thirdly, the system engineers should analyze the intensive potential in developing our economy.

As decided by the Party Central Committee and the State Council, the increase of our production for some time to come will depend not mainly on a larger scale of capital construction, but rather on our efforts in bringing into play the potential of existing enterprises; and on the basis of consolidating and reorganizing the existing enterprises, we will systematically and selectively carry out technical transformation in our national economy in order to increase our productive capacity. In other words, in expanding reproduction, we will mainly rely on "intensive development, intensive undertaking and the improvement of quality instead of "extensive" expansion, extensive undertaking and the increase in quantity. It will be necessary to study the process of production and development of systems to find out how technical transformation will enable the systems to produce new life and vitality, and their sequence.

Fourthly, the system engineers should study the way to implement the policy of readjustment, restructuring, reorganization and improvement.

In implementing the eight-character policy of readjustment, restructuring, reorganization and improvement, we must, as far as the overall situation is concerned, "take readjustment as the central task, and subordinate restructuring to readjustment." Readjustment and restructuring are both mutually complementary and contradictory. In readjustment, for example, there is less maneuvering room for the state's economic power, especially financial resources, whereas an all-round restructuring of the economic system must be guaranteed by sufficient financial and material resources. How to harmonize the relationship between them and to arrange for the "eight-character" policy to be carried out in different periods, by different stages and at different levels; and how to use the method of comparing alternative plans in supplying quantitative data for policy decisions are also the problems to be solved by our system engineers.

Fifthly, the methods of system engineering should be used in working out the overall design in restructuring the economic system.

Economic restructuring involves a wide range of problems, and the conditions are very complex especially in such a large country as ours. Restructuring also concerns many aspects of economic and social life. System engineering can be used to organize the forces in various quarters to conduct purposeful investigations and to work out the overall design for economic restructuring so that we can study the general outline of the restructuring, work out various plans, and then study and compare them before making practical suggestions to help the decision makers make their choice. In this way, we can develop the functions of system methods in organizing management, as well as use system engineering to ascertain and attain the goals.

Sixthly, the system engineers should step up their study of the overall economic results for the whole society in the national economy.

Comrade Zhao Ziyang pointed out: "The crux of the problem is to do all we can to get better economic results in areas of production, construction and circulation." Stressing economic results is the correct guiding thought in all economic work. It means the minimum consumption of labor and material to produce more products that correspond to social needs. This is the main viewpoint that should be clearly understood. In determining the index system and calculation methods for the economic results in all economic spheres, especially in a comprehensive way, and the methods of measuring economic results in the whole society, we need to study and explore in many different directions. The principles and methods of system engineering are quite suitable for studying these problems.

To improve the economic results of the whole society, we should also correctly handle the relations of economic benefits between the economic units (enterprises), departments and regions on the one hand and the society (state) on the other. Economic benefits for a part cannot be identical to the economic benefits for the whole. For example, the production of some goods may be beneficial from the microeconomic point of view, although its microresults are exactly the reverse. The basic viewpoint of system engineering is to proceed from the whole in considering the parts and at the same time handle the problems in all parts so as to obtain the best comprehensive economic results for the national economy. How do we use the viewpoint, methods and means of system engineering to streamline every level in the structure and to quantitatively link all levels together? This is also an important task for the system engineers.

In short, for system engineering, we should choose a certain number of important tasks of economic and social development and organize the forces in various fields to tackle the difficult problems. Because the problems mentioned earlier involves many fields, it is necessary for the system engineers to do the various types of scientific work of a comprehensive nature with good care.

Because of the urgent needs in our socialist construction, system engineering should begin from the sphere of a purely engineering system and then extend to the social and economic spheres. As a science, system engineering certainly has its own problems in theory and methods, and further study is necessary. However, such study, in the final analysis, is intended to serve the cause of our four socialist modernizations. (Xin [9515])